

**IP2IPO Management II Limited**

Report and Financial Statements

Year Ended

31 December 2004



Registered number  
04709243

**IP2IPO Management II Limited**

**Annual report and financial statements for the year ended 31 December 2004**

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**Directors**

John Davies  
David Norwood

**Secretary and registered office**

Magnus Goodlad  
  
1st Floor  
20-21 Tooks Court  
Cursitor Street  
London  
EC4A 1LB

**Company number**

04709243

**Auditors**

BDO Stoy Hayward LLP, Park House, 102-108 Above Bar, Southampton, SO14 7NH

## **IP2IPO Management II Limited**

### **Report of the directors for the year ended 31 December 2004**

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The directors present their report together with the audited financial statements for the year ended 31 December 2004.

#### **Results and dividends**

The profit and loss account is set out on page 4 and shows the result for the year.

The directors do not recommend the payment of a dividend.

#### **Principal activities, trading review and future developments**

The principal activity of the Company is to make investments in spin out companies from King's College London, ("KCL") under a 25 year partnership which was entered into in May 2003. The partnership (i) commits IP2IPO Management II Limited to invest £5 million in seed capital in KCL spin out companies over a five year period in return for equity stakes in those companies, and (ii) commits IP2IPO Limited, the Company's immediate parent undertaking, to help identify and progress intellectual commercialisation opportunities and to provide a total of £250,000 over five years to augment KCL's existing IP protection capabilities.

During 2004, two KCL spin out companies, Phonologica Limited and Proximagen Limited, were established in which the Company holds equity stakes as a result of this partnership.

#### **Charitable and political contributions**

During the year the company made no charitable or political contributions.

## **IP2IPO Management II Limited**

### **Report of the directors for the year ended 31 December 2004 (Continued)**

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#### **Directors**

The directors of the company during the year were:

John Davies  
David Norwood  
Steven Lee (resigned 1 September 2004)  
Alex Snow (resigned 21 May 2004)

No director had any interest in the ordinary shares of the Company.

During 2004 John Davies, Steven Lee, Alex Snow and David Norwood also served as directors of the Company's ultimate parent company, IP2IPO Group plc, and their interests in the share capital of that company are shown in its financial statements.

#### **Directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Auditors**

On 12 August 2004, PricewaterhouseCoopers LLP resigned. BDO Stoy Hayward LLP were appointed in their place and they have indicated their willingness to continue in office.

ON BEHALF OF THE BOARD



David Norwood

8 March 2005

## **IP2IPO Management II Limited**

### **Report of the independent auditors**

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#### **To the shareholder of IP2IPO Management II Limited**

We have audited the financial statements of IP2IPO Management II Limited for the year ended 31 December 2004 on pages 4 to 9 which have been prepared under the accounting policies set out on page 6.

#### *Respective responsibilities of directors and auditors*

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

#### *Basis of audit opinion*

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### *Opinion*

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2004 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*BDO Stoy Hayward LLP*

**BDO STOY HAYWARD LLP**

*Chartered Accountants and Registered Auditors*  
Southampton

8 March 2005

## IP2IPO Management II Limited

### Profit and loss account for the year ended 31 December 2004

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	Note	Year ended 31 December 2004 £	Period ended 31 December 2003 £
Turnover		-	-
Administrative expenses		-	-
<b>Operating result and result on ordinary activities before taxation</b>	2	<u>-</u>	<u>-</u>
Tax on result of ordinary activities		-	-
<b>Result on ordinary activities after taxation</b>	9	<u>-</u>	<u>-</u>

All amounts relate to continuing activities.

The Company has no recognised gains or losses other than the result above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the result on ordinary activities before taxation and the retained result for the period stated above, and its historical cost equivalent.

The notes on pages 6 to 9 form part of these financial statements.

**IP2IPO Management II Limited****Balance sheet at 31 December 2004**

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	Note	2004 £'000	2003 £'000
<b>Fixed assets</b>			
Investments	5	<u>661</u>	<u>-</u>
<b>Current assets</b>			
Debtors	6	<u>-</u>	<u>-</u>
Total assets		661	
 <b>Creditors: amounts falling due after one year</b>	7	<u>(661)</u>	<u>-</u>
<b>Net assets</b>		<u>-</u>	<u>-</u>
<b>Capital and reserves</b>			
Called up ordinary share capital	8	-	-
Profit and loss account	9	<u>-</u>	<u>-</u>
<b>Total equity shareholders' funds</b>	10	<u>-</u>	<u>-</u>

The notes on pages 6 to 9 form part of these financial statements.

The financial statements were approved by the Board on 8 March 2005.



John Davies  
Director

## **1. ACCOUNTING POLICIES**

### **Basis of preparation**

The financial statements have been prepared under the historical cost convention, in accordance with the Companies Act 1985, and applicable accounting standards. A summary of the more important accounting policies which have been applied consistently throughout the year is set out below.

The accounts have been prepared on a going concern basis as the Company's ultimate parent undertaking, IP2IPO Group plc, has confirmed its intention to continue its financial support of the Company so as to ensure that it is able to meet its liabilities as they fall due for at least a period of twelve months after the date of approval of these financial statements.

### **Consolidated accounts**

The Company has taken the exemption under section 228 of the Companies Act 1985 from publishing consolidated financial statements as it and its investments are included by full consolidation in the consolidated financial statements of IP2IPO Group plc, which is registered in England and Wales. These financial statements therefore present information about the company as an individual undertaking and not about its group.

### **Equity investments**

Equity investments are stated at historic cost less provision for impairment in value, and are held for long term investment purposes. Provisions are based upon an assessment of events or changes in circumstances that indicate that an impairment has occurred such as the performance and/or prospects (including financial prospects) of the investee company being significantly below the expectations on which the investment was based, a significant adverse change in the markets in which the investee company operates or a deterioration in general market conditions.

### **Deferred tax**

Provision is made in full for deferred tax liabilities that arise from timing differences where transactions or events, that result in an obligation to pay more tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised to the extent that it is considered more likely than not that they will be recoverable. Deferred tax is measured at the average rates that are expected to apply in the periods in which the timing differences are expected to reverse based on the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets and liabilities are not discounted.

### **Cash flow statement**

The Company has taken advantage of the exemption conferred upon it by FRS 1 "Cash Flow Statements" (Revised 1996) not to prepare a cash flow statement whereby the cash flows of the Company are incorporated into those of the ultimate parent undertaking and these financial statements are publicly available.

### **Related party transactions**

FRS 8 "Related Party Disclosures", requires the disclosure of the details of material transactions between the reporting entity and any related parties. However, transactions between the Company and other group companies including their associates and joint ventures have not been disclosed in accordance with the exemption in FRS 8 paragraph 3(c).

## **2. RESULT ON ORDINARY ACTIVITIES BEFORE TAXATION**

Auditors' remuneration is being paid and borne by another group company in the year.



## IP2IPO Management II Limited

Notes forming part of the financial statements for the year ended 31 December 2004

### 3. EMPLOYEES

During the period the Company had no employees (2003: nil)

### 4. DIRECTORS' EMOLUMENTS

The directors are remunerated for their services to other group companies within the group headed by the Company's ultimate parent, IP2IPO Group plc. No amounts were received by them as directors of IP2IPO Management II Limited.

### 5. FIXED ASSET INVESTMENTS

	Equity investments £'000
<b>Cost</b>	
At 1 January 2003	-
Investment in spin out companies	661
<b>At 31 December 2004</b>	<b>661</b>
<b>Net book values</b>	
<b>At 31 December 2004</b>	<b>661</b>
At 31 December 2003	-

#### Significant equity investments

At 31 December 2004 the Company has investments where it holds more than 20% of the issued share capital in the following companies:

Company	Country of incorporation	Type of share held	% of issue held	Net assets £'000	Loss before tax £'000	Date of financial statements
Phonologica Limited	UK	Ordinary	35.8	-	-	-
Proximagen Limited	UK	Ordinary	39.1	-	-	-

Phonologica Limited and Proximagen Limited have not filed annual accounts as at the date of these accounts and accordingly no financial information is presented in respect of these companies.

At the year end the directors have undertaken a review of the carrying value of these investments and concluded that there is no indication of impairment.

**6. DEBTORS**

	2004 £	2003 £
Amounts due from parent undertaking	1	1

**7. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR**

	2004 £'000	2003 £'000
Amounts owed to parent undertaking	661	-

**8. CALLED UP SHARE CAPITAL**

	2004 £
Authorised 1 ordinary share of £1	1
Allotted, called up and fully paid 1 ordinary share of £1	1

**9. RESERVES**

	Profit and loss account £'000
At 1 January 2004	-
Result for the period	-
<b>At 31 December 2004</b>	<b>-</b>

**10. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	£'000
Issue of ordinary share capital	-
Net addition to shareholders' funds	-
Shareholders' funds at 31 December 2003	-
Result for the period	-
Shareholders' funds at 31 December 2004	-

## **11. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES**

Under the terms of an agreement entered into during the year, IP2IPO Limited agreed to make £5 million available to the Company for the purposes of making investments in KCL spin out companies over a period of five years commencing in May 2003 in return for equity stakes in those companies. At 31 December 2004 £4,339,000 of this amount was still available under the terms of the agreement. Under the agreement with KCL, KCL can require IP2IPO Limited to make a further £5 million available to the Company for investments in spin out companies on the tenth anniversary of the partnership.

## **12. RELATED PARTY TRANSACTIONS**

At 31 December 2004 the following directors had investments with the following spin out companies:

		Number of shares held at 1 January 2004	Number of shares acquired during the year	Number of shares held at 31 December 2004	% of issued share capital held at 31 December 2004	Cost of investment  £'000
Director	Spin out company					
John Davies	Phonologica Limited	-	200	200	0.1	1
John Davies	Proximagen Limited	-	200	200	0.1	1

## **13. IMMEDIATE AND ULTIMATE PARENT COMPANY AND CONTROLLING PARTY**

The directors regard IP2IPO Limited as the immediate parent company and controlling party.

The ultimate parent company and the ultimate controlling party is considered to be IP2IPO Group plc. Copies of the ultimate parent company's financial statements may be obtained from the Secretary of IP2IPO Group plc, 1st Floor, 20-21 Tooks Court, Cursitor Street, London, EC4A 1LB.